

International Grains and Oilseeds Outlook for 2002

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February 22, 2002

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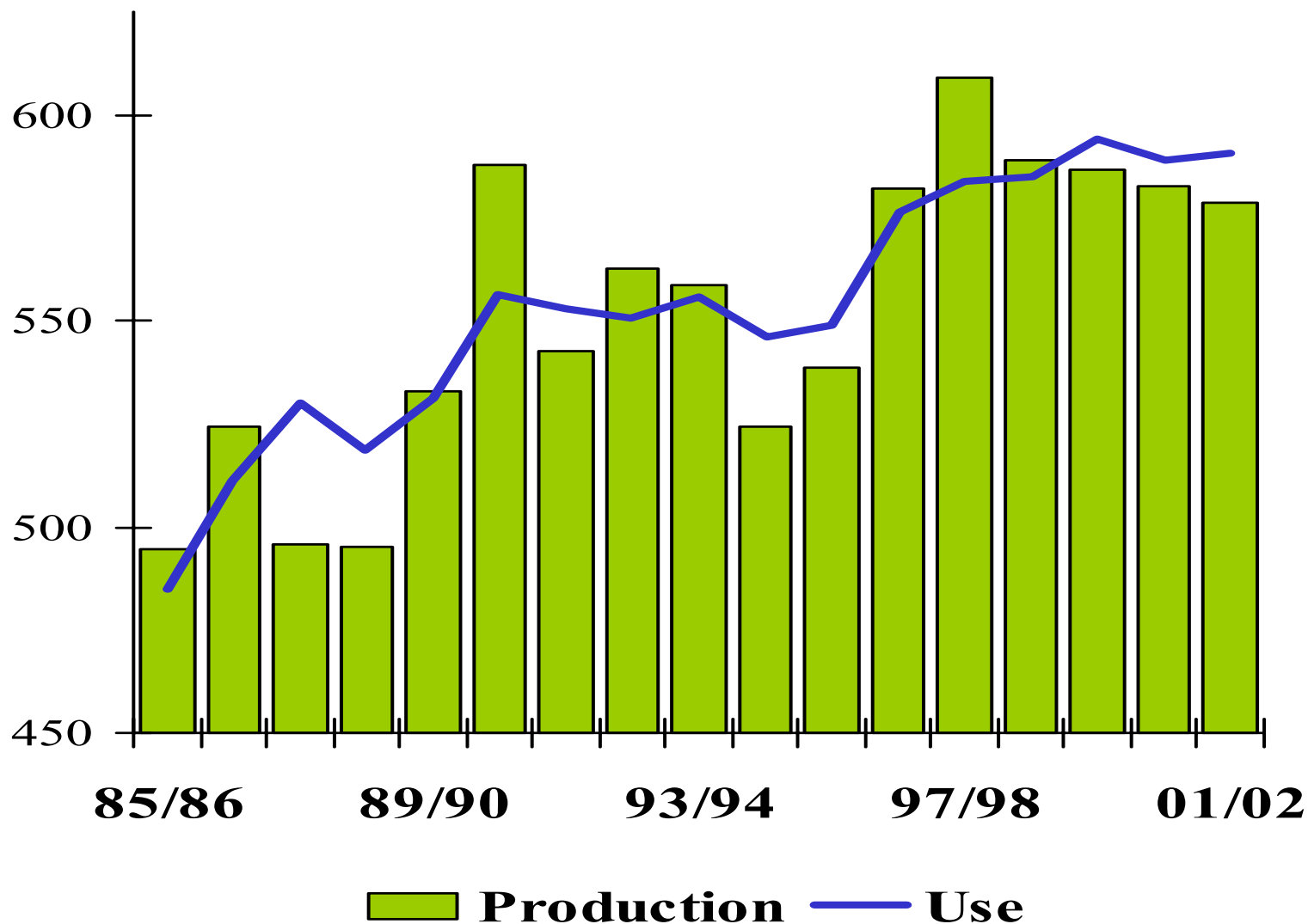
- Low Prices Have Stimulated Consumption
- No Major Production Shortfalls In Sight
- Export Competition Will Remain Stiff
- Global Prices Are Expected to Remain Stagnant
- China and Argentina are Wild Cards

Wheat

- Current Situation
 - Stocks Fall as Use Outpaces Production
 - Imports Strong in N. Africa and the Middle East with Drought During Past Three Years
 - Minor Exporters Compensate for the Majors
- Outlook
 - Recovery Expected in Global Production
 - E. Europe and FSU Continue Large Exports
 - China: The Wild Card

Global Wheat Use is Again Outpacing Production

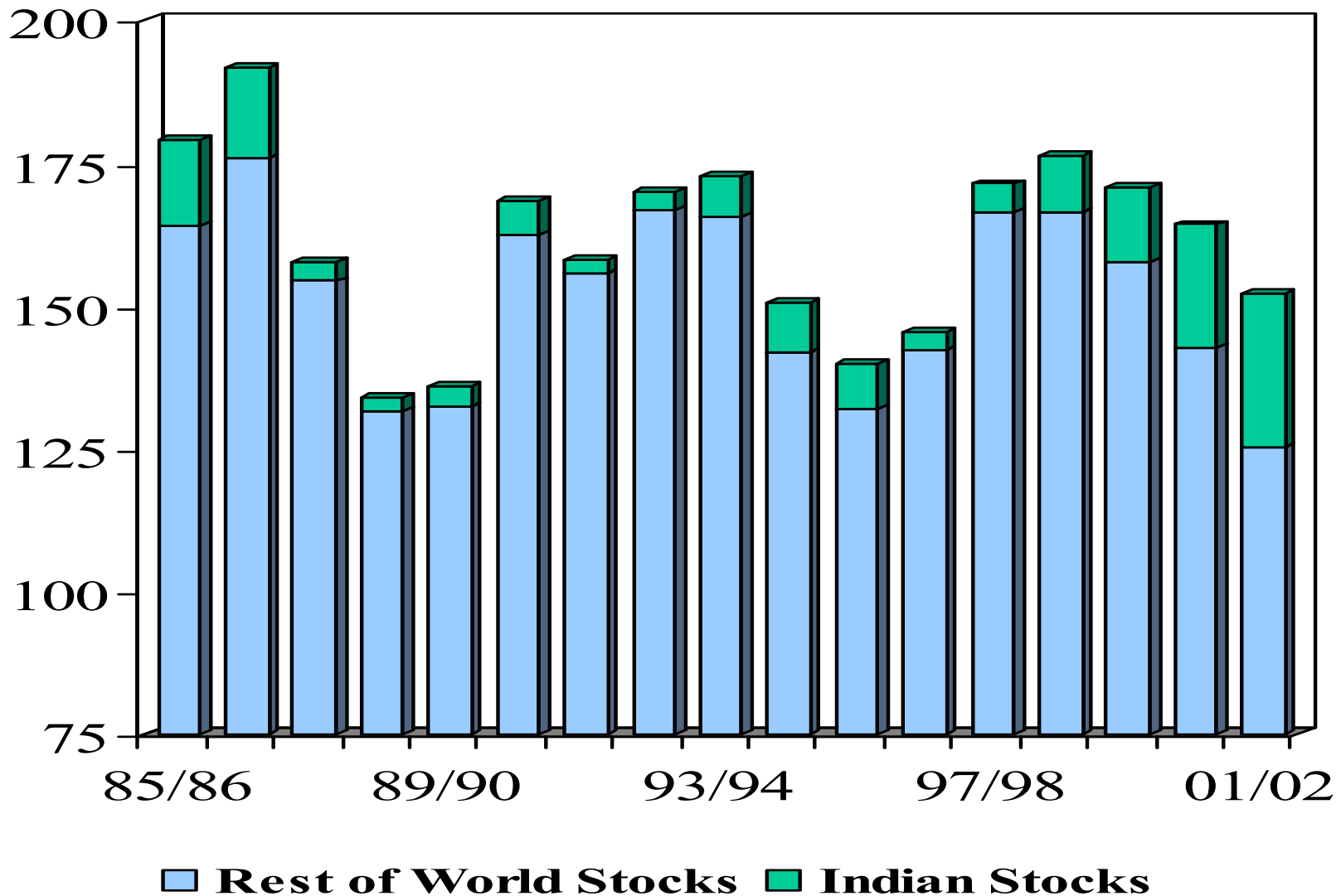
Million MT



- Global consumption has remained fairly steady the past four years with falling wheat use in India and China being countered by more demand in Latin America and Africa as a result of rising populations and incomes. Economic recovery has also led to higher demand in Southeast Asia.
- Global production has fallen for the past three years with continued drought in N. Africa and the Middle East, three years of falling production in the United States and this year's sharp drop in EU output.
- The trend of wheat consumption exceeding production may not continue as crops in the EU, Canada, and the United States are expected to rebound. Meanwhile consumption is expected to increase slightly.

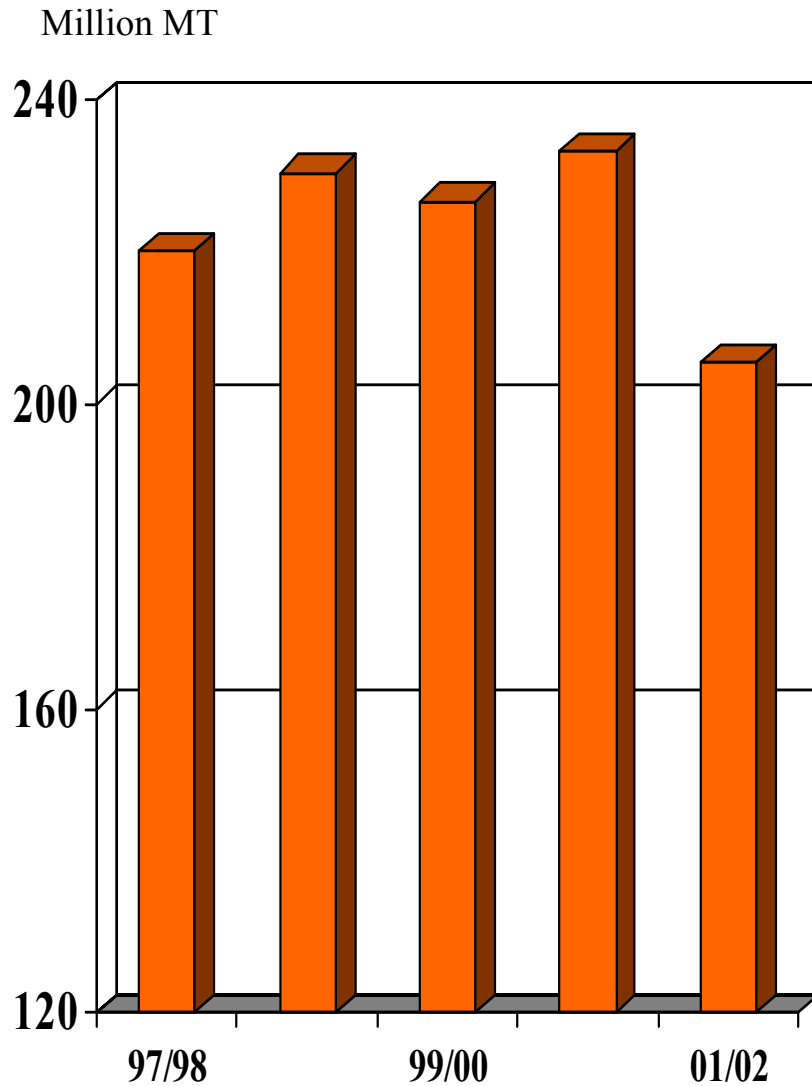
Global Stocks Fall for 3rd Year ...by 10 Million Tons

Million MT

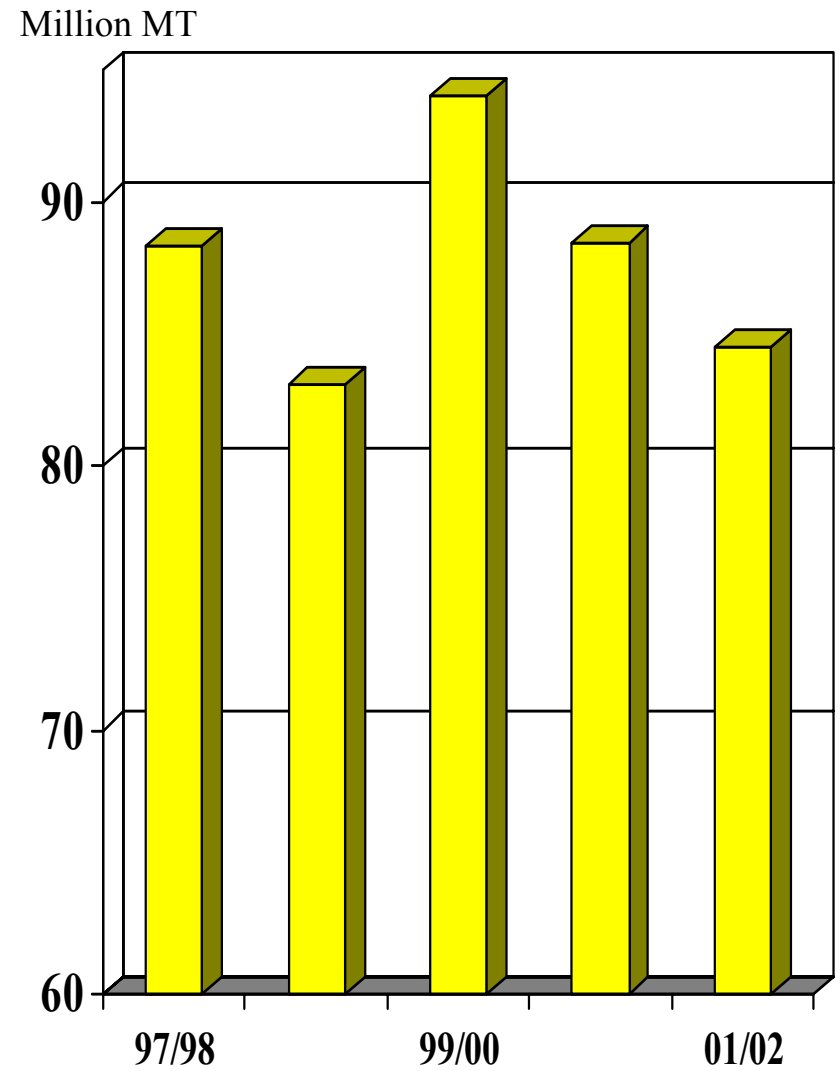


- Global stocks have been drawn down nearly 23 million tons in the past three years despite a very large increase in Indian stocks over the same time period of nearly 17 million tons.
- Much of the fall in stocks has come in China where use has outpaced production. In addition, continued drought in the Middle East has created tighter stocks. The stocks situation has also tightened in the major exporting countries of the United States, Canada, and the EU.
- Global stocks are expected to rise with larger production expected in the major exporting countries. However, the importance of global stock levels as a price indicator has diminished due to less government purchasing in major importing countries, more hand-to-mouth buying, and less uncertainty in the market that had existed because of the threat of USSR purchases.

Top 5 Exporters' Production & Exports Fall



Production

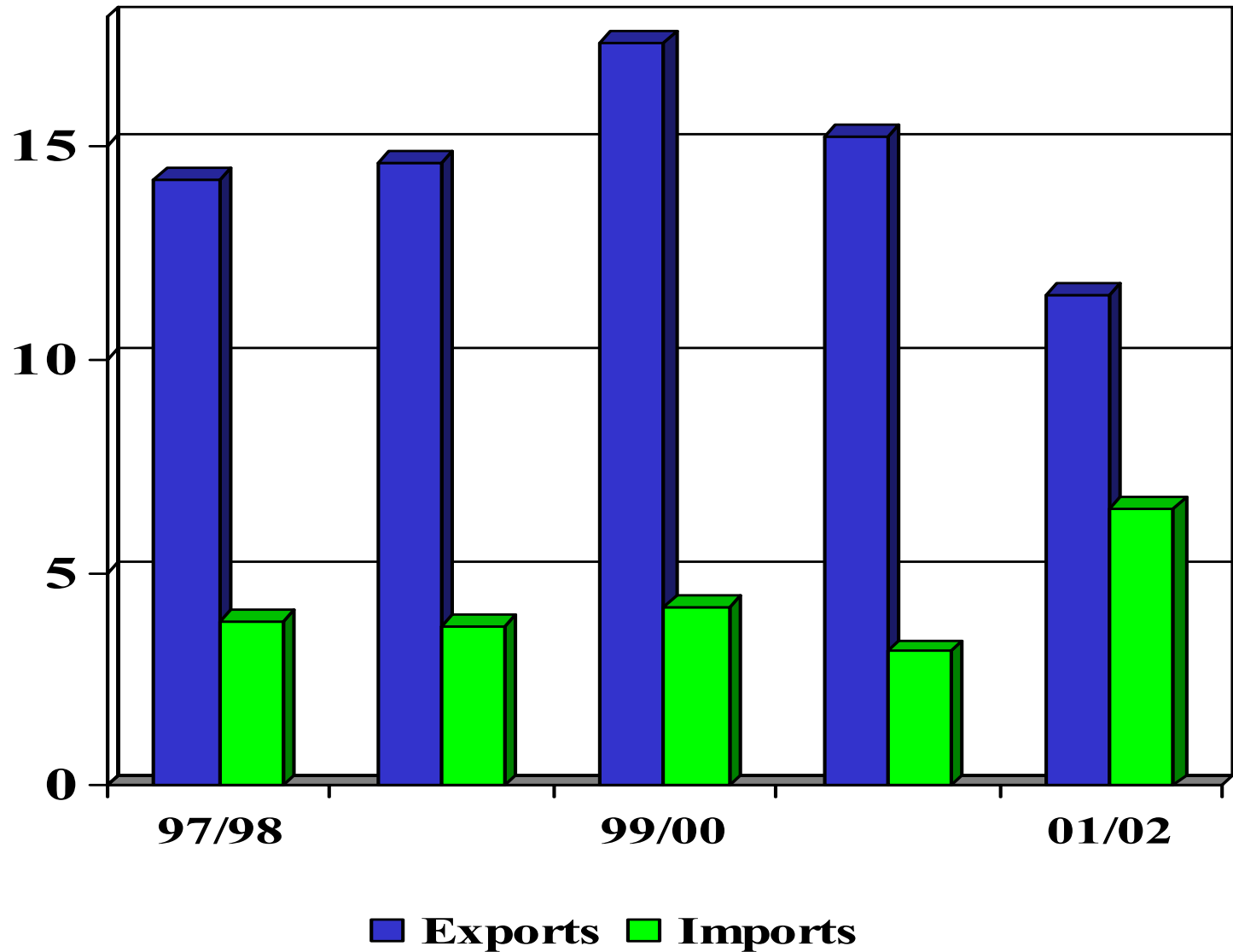


Exports

- Combined exports in 2001/02 by the top five exporters (United States, Australia, Canada, the EU, and Argentina) are expected to fall for the second consecutive year. Total exports by these suppliers are forecast at just 84.5 million tons compared to 94 million tons just two years earlier. While exports from the United States have fallen marginally, it is the EU that is largely responsible for this year's drop as shipments are forecast nearly 4 million tons lower than last year.
- Next year, production is expected to rebound among the major exporters and exports are seen rising. However, carryover supplies from Eastern Europe and the FSU are expected to provide strong competition, particularly in North African and Middle Eastern markets.

EU Takes Wheat Off the Global Market

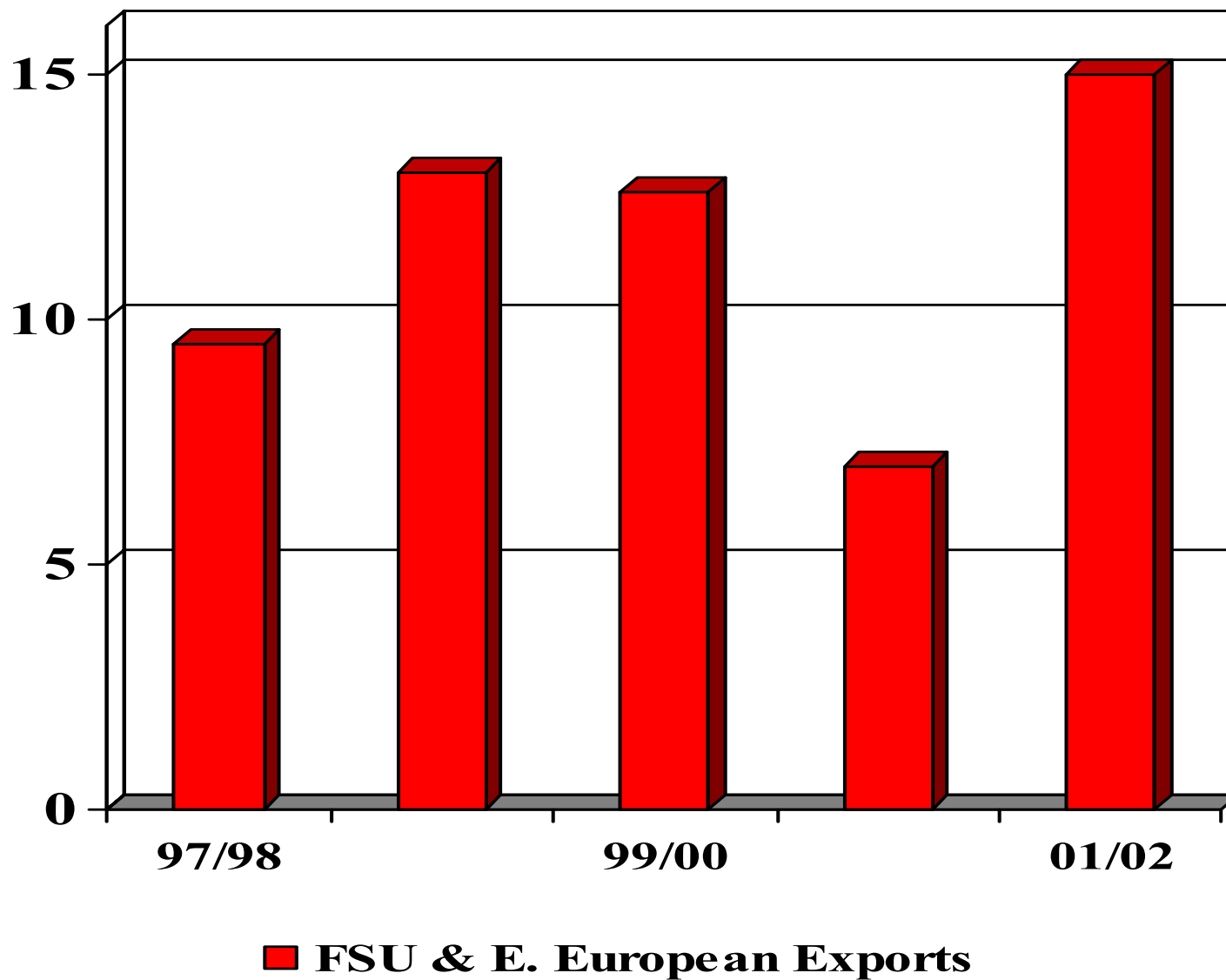
Million MT



- Lower production is leading to a dramatic rise in imports and falling exports. The combined impact is that an additional 7 million tons of wheat will be taken off the market compared to last year.
- High internal prices and zero import duties have allowed imports to soar and SRW has been imported for the first time in decades. In fact, the EU is likely to finish the year as the 5th largest importer of U.S. wheat. In addition, Black Sea wheat is coming in with the special duty on nearby destinations removed. On the other hand, aggressively-priced Black Sea wheat is impacting EU exports by creating more competition in North Africa and the Middle East.
- EU Production next year is expected to recover, thus imports should fall. Exports will rebound, but face continued stiff competition from Black Sea exporters.

Minor Exporters Increase World Market Share

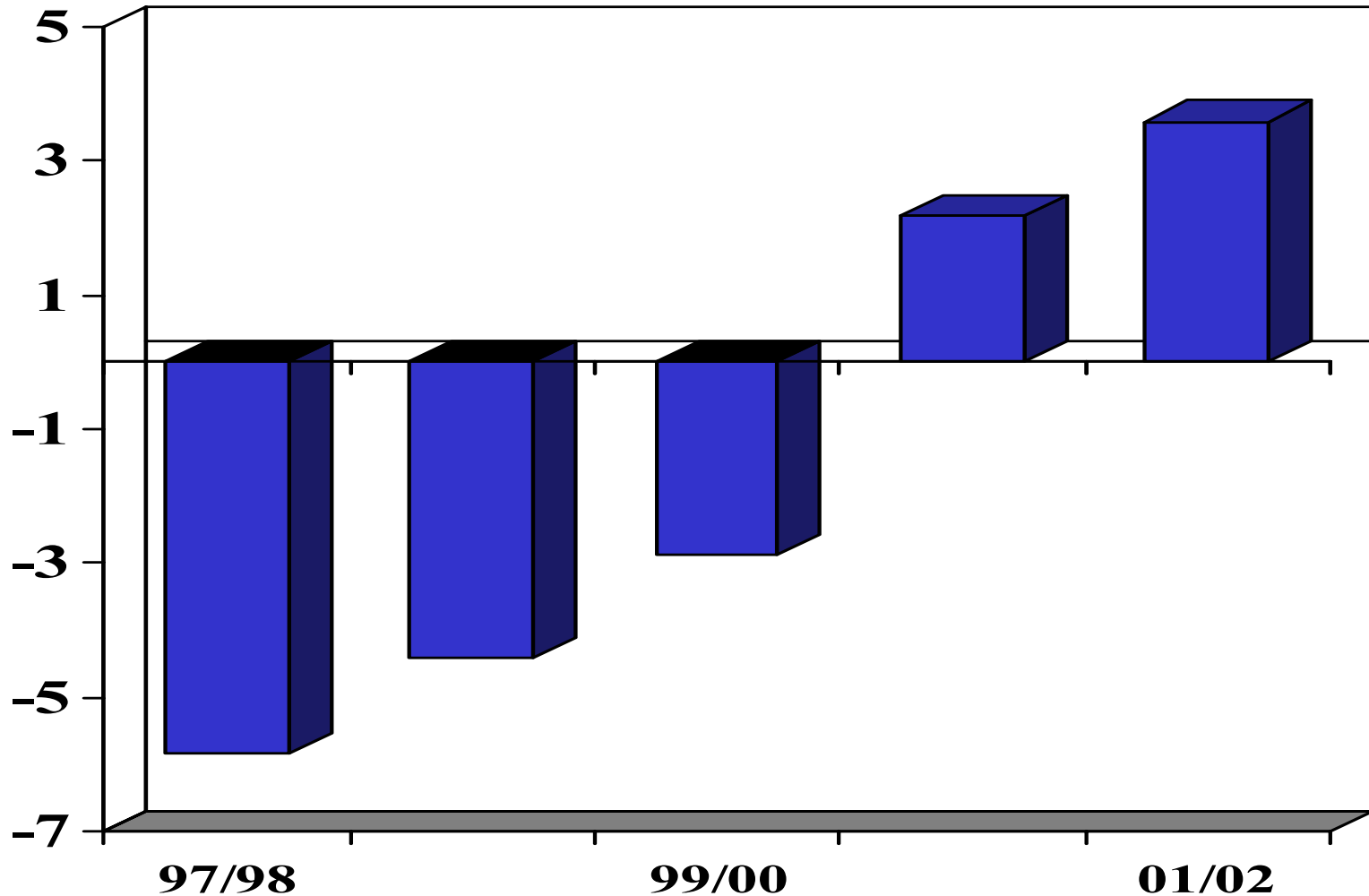
Million MT



- Exceptional growing conditions led to the largest harvest in Russia since the Soviet Union collapse. Good conditions in Eastern Europe and Ukraine also created large exportable supplies. These regions are, therefore, forecast to export more than 14 million tons which is more than double previous year exports.
- New crops are expected to be somewhat smaller but still relatively large in comparison to past decade averages. With large stocks, particularly in Russia, Kazakhstan, and Ukraine, exports are likely to continue. However, logistical constraints and lower import demand from the EU could reduce levels from this year.

South Asia Goes from Net Importer to Net Exporter

Million MT

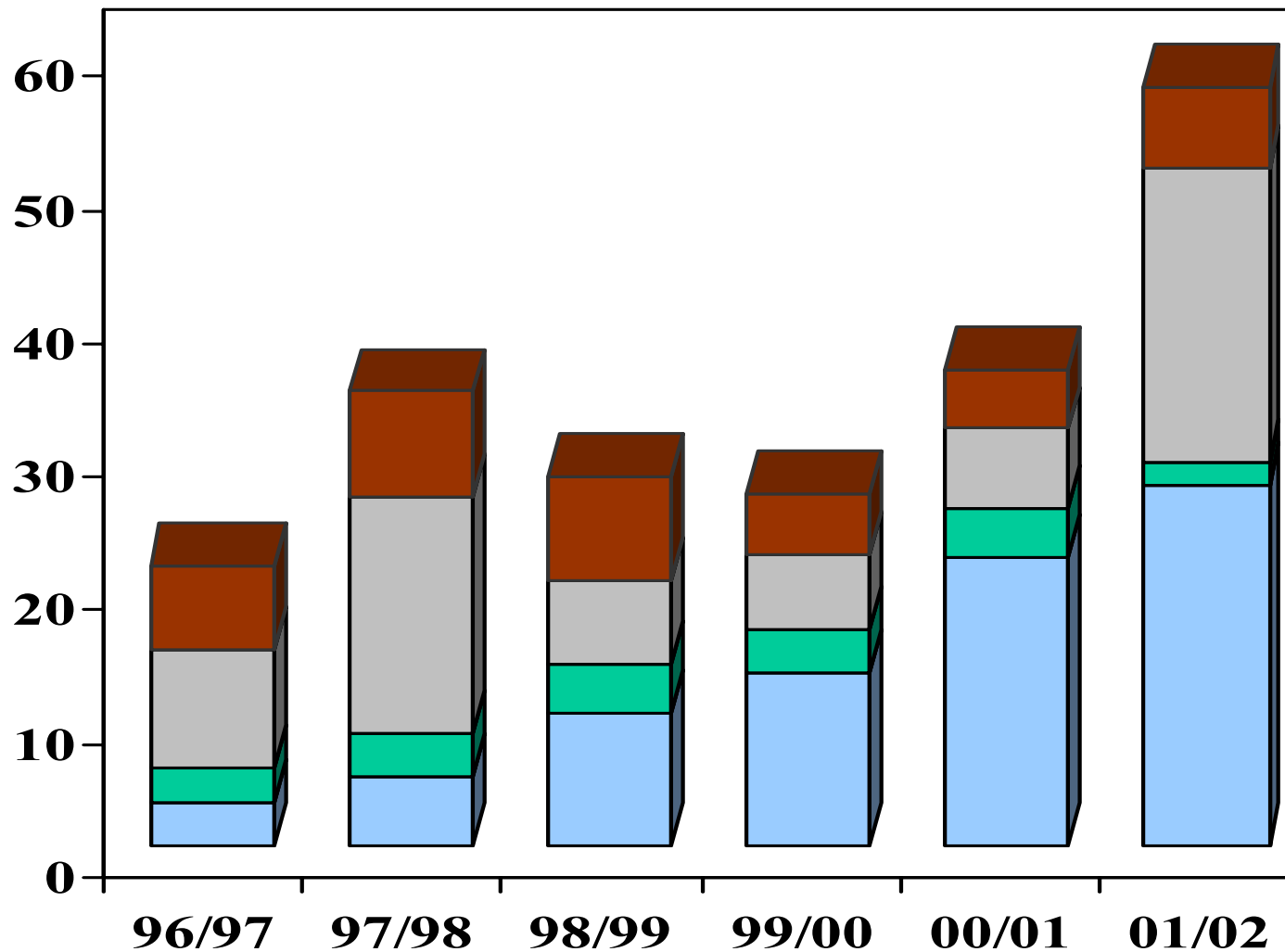


■ India & Pakistan

- India and Pakistan have experienced a dramatic turnaround over the past five years from significant importers to net exporters with the overall result being 9 million tons added to the market.
- Bumper crops in India and high support prices have caused stocks to swell and induced the government to subsidize wheat and wheat product exports. As a result, wheat has been flooding into Southeast Asia and South Korea.
- In addition, Pakistan is exporting wheat in an attempt to reduce burdensome stocks. Both countries will continue to export, but will remain constrained by quality concerns and limited export capacity.

Stocks by Minor Exporters Soar

Million MT

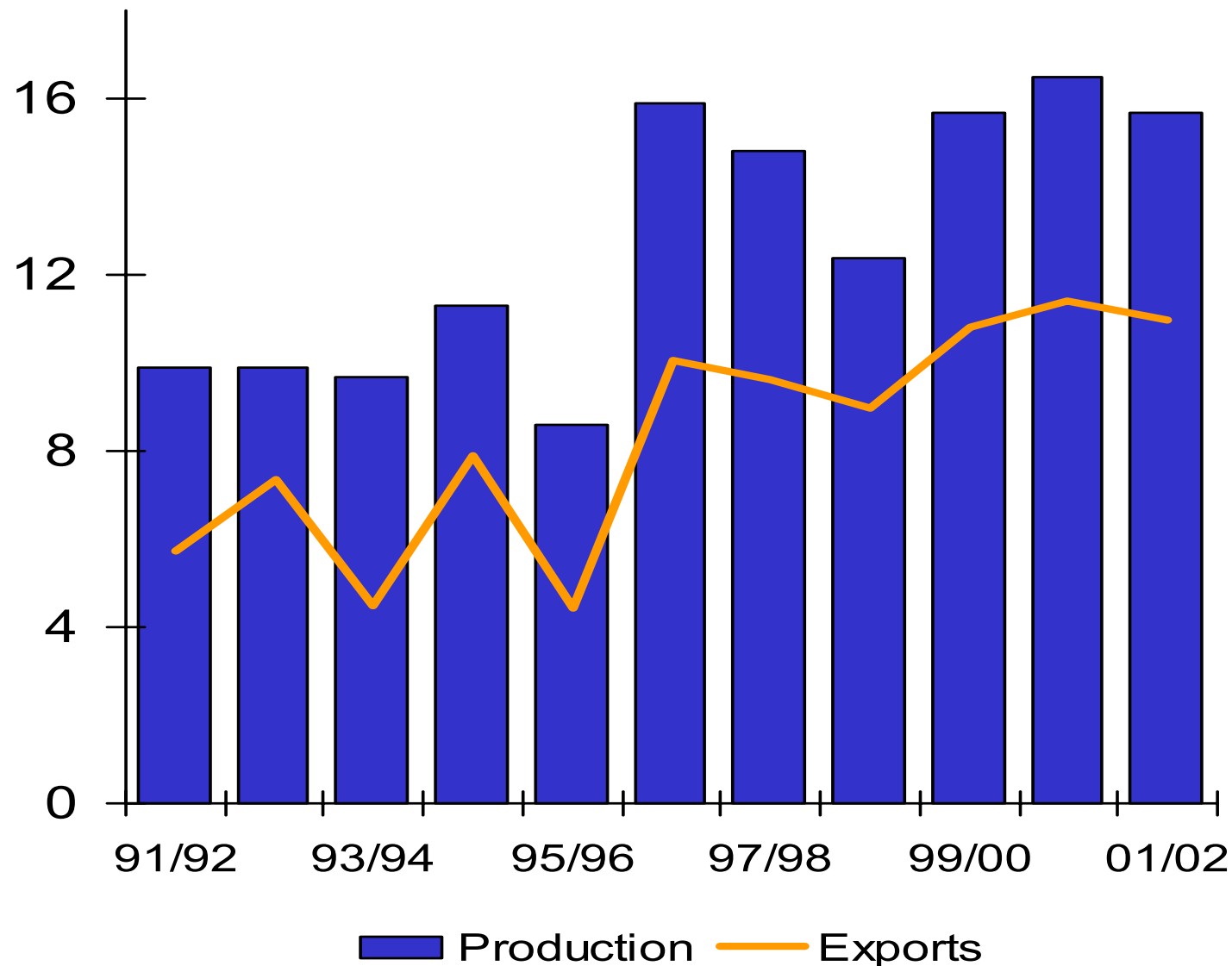


■ India ■ Pakistan ■ FSU ■ E.Europe

- 2001/02 ending stocks held by these minor exporters are forecast at nearly 57 million tons and more than double the 1999/00 level.
- India has seen a massive jump in stock levels as high government procurement prices combined with favorable growing conditions have led to large crops. With consumption estimated to be relatively flat to slightly decreasing, enormous pressure has been put on storage capacity.
- Ending stocks in the FSU are expected to soar to 22 million tons compared to just 6 million tons the previous year. Most of the increase will come in Russia, Kazakhstan and the Ukraine where near ideal weather produced large crops.

Argentina's Exports Strong but Future is Uncertain

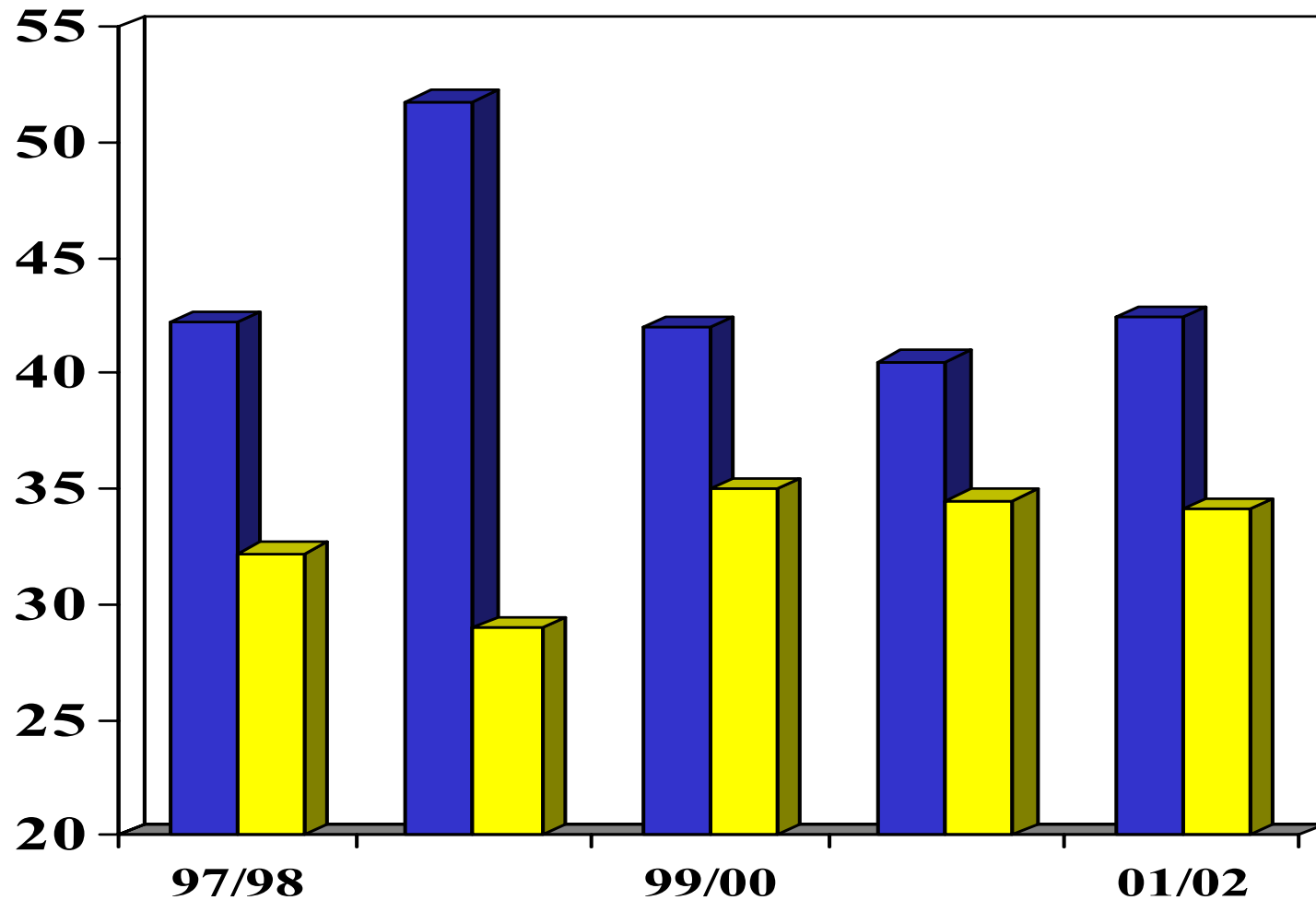
Million MT



- Exports have grown with production over the past several years as rising production has outpaced consumption.
- Known as the world's low-cost producer, Argentina's exports outside of South America have tripled in the past three years and this trend is expected to continue with large amounts headed to N. Africa and the Middle East.
- Uncertainty abounds regarding export movement and the impact of the economic and currency crisis on future production levels is not clear. However, current prospects indicate that next year's wheat acreage will increase leading to rising exports.

Drought in N. Africa and Middle E. Have Kept Imports High

Million MT

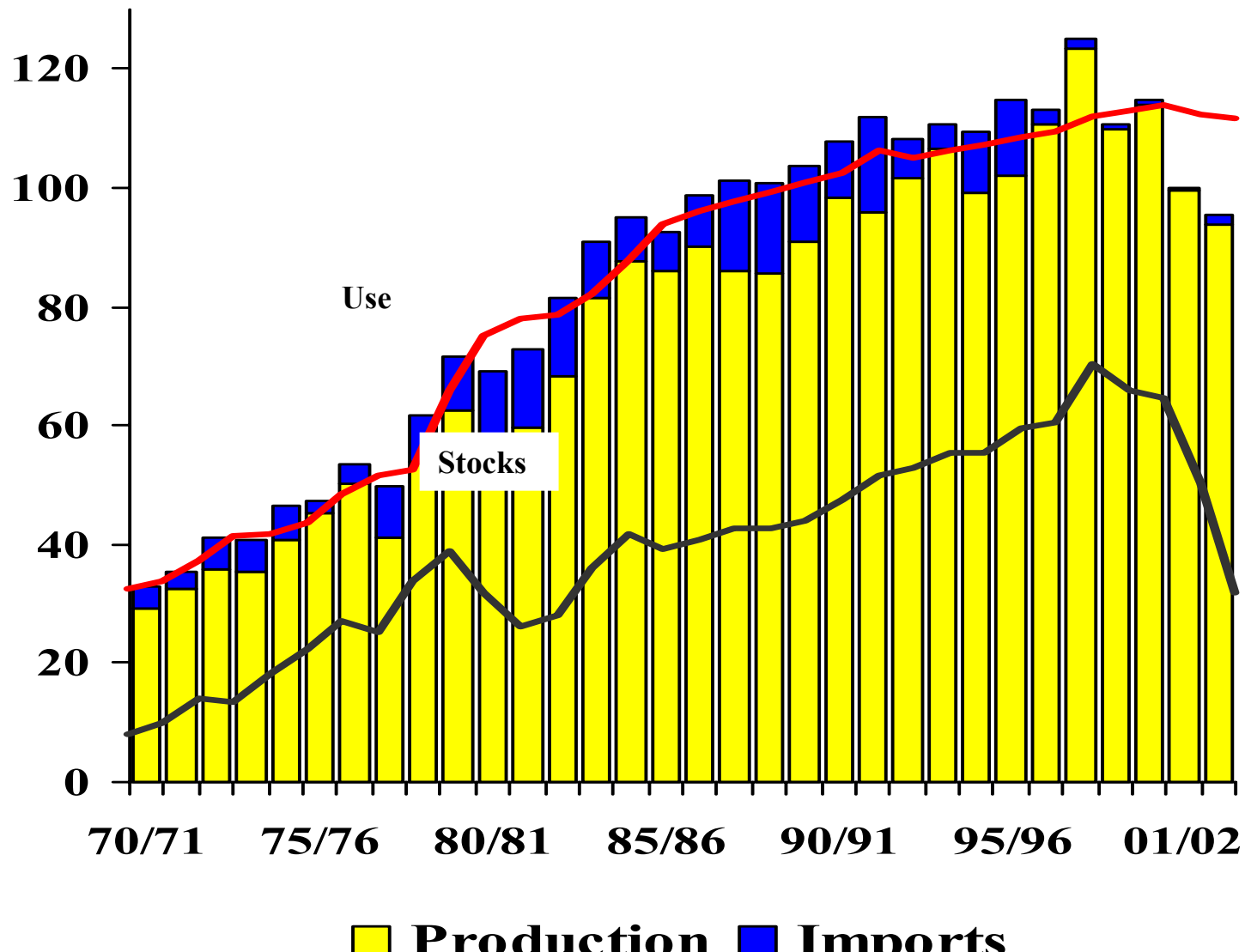


■ Production ■ Imports

- Drought in N. Africa and the Middle East has kept production down and led to imports for the past three years of around 35 million a year. This year the regions are importing more from Eastern Europe and the FSU.
- EU export subsidy policy will determine whether EU exporters, especially France, will be more competitive in the region next year.
- Imports are expected at nearly the same level as the past three years with only minimal drought relief expected. However, foreign exchange constraints, especially for private millers, could reduce Egypt's imports.
- Production in the Middle East, which has been most impacted over the past several years, is expected to rebound next year, thereby lowering import needs.

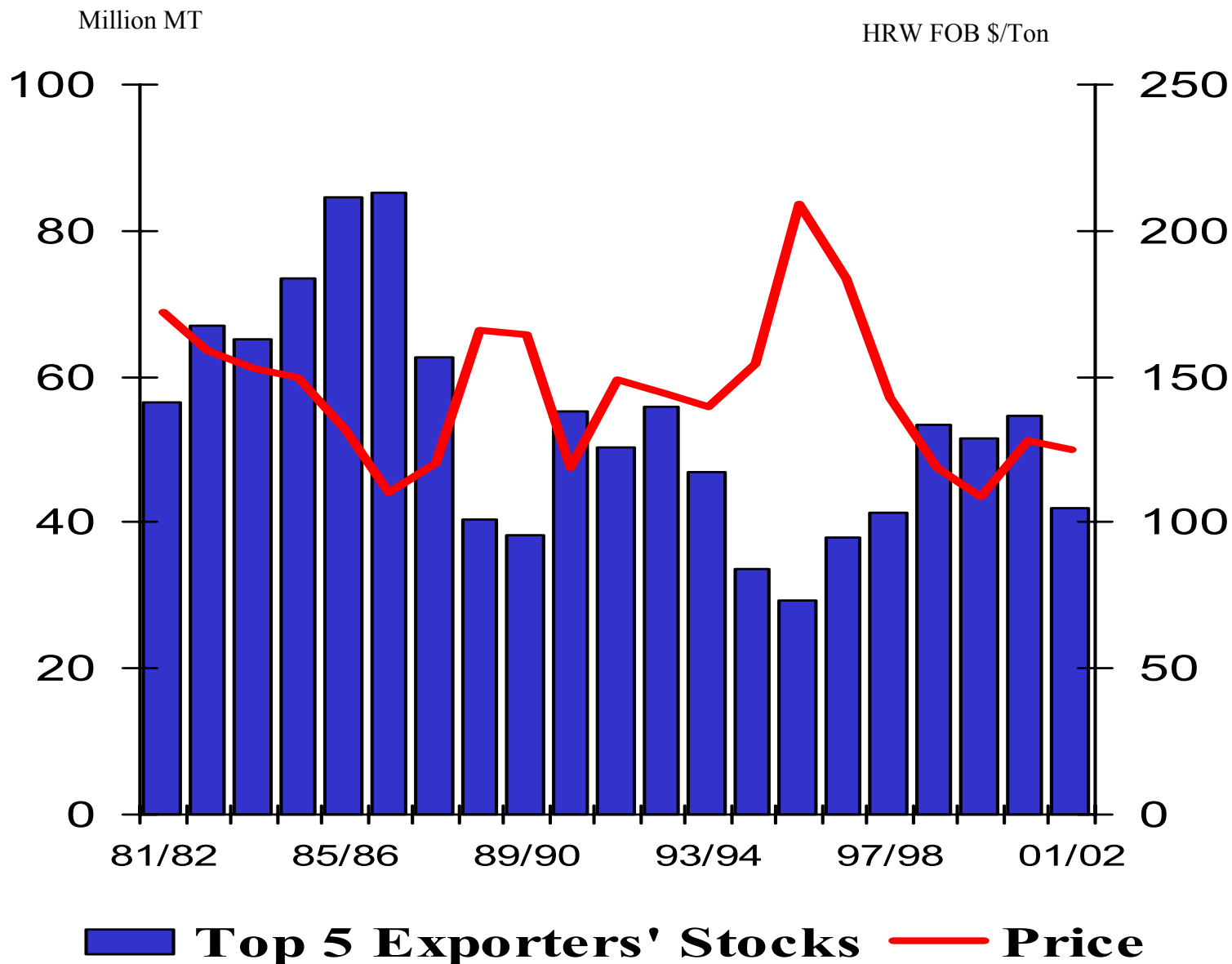
China's Production Gains Have Minimized Imports

Million MT



- Despite falling production the past two years, imports have been limited as stocks have been used to meet consumption levels. Total use has been steady to slightly decreasing though feed consumption appears to be rebounding this year.
- The trend of lower planted wheat area is expected to continue. Production is expected to show little change and remain below consumption.
- WTO Accession: Despite a TRQ that provides market access for 8.5 million tons, import levels will be determined by market conditions and the need for high-quality wheat which is being produced domestically in greater quantity. In addition, wheat prices in China are below levels that would suggest large-scale imports. In fact, China is presently exporting low quality wheat to regional importers for feeding.

Top Exporter's Supplies are the Key to Price Strengthening



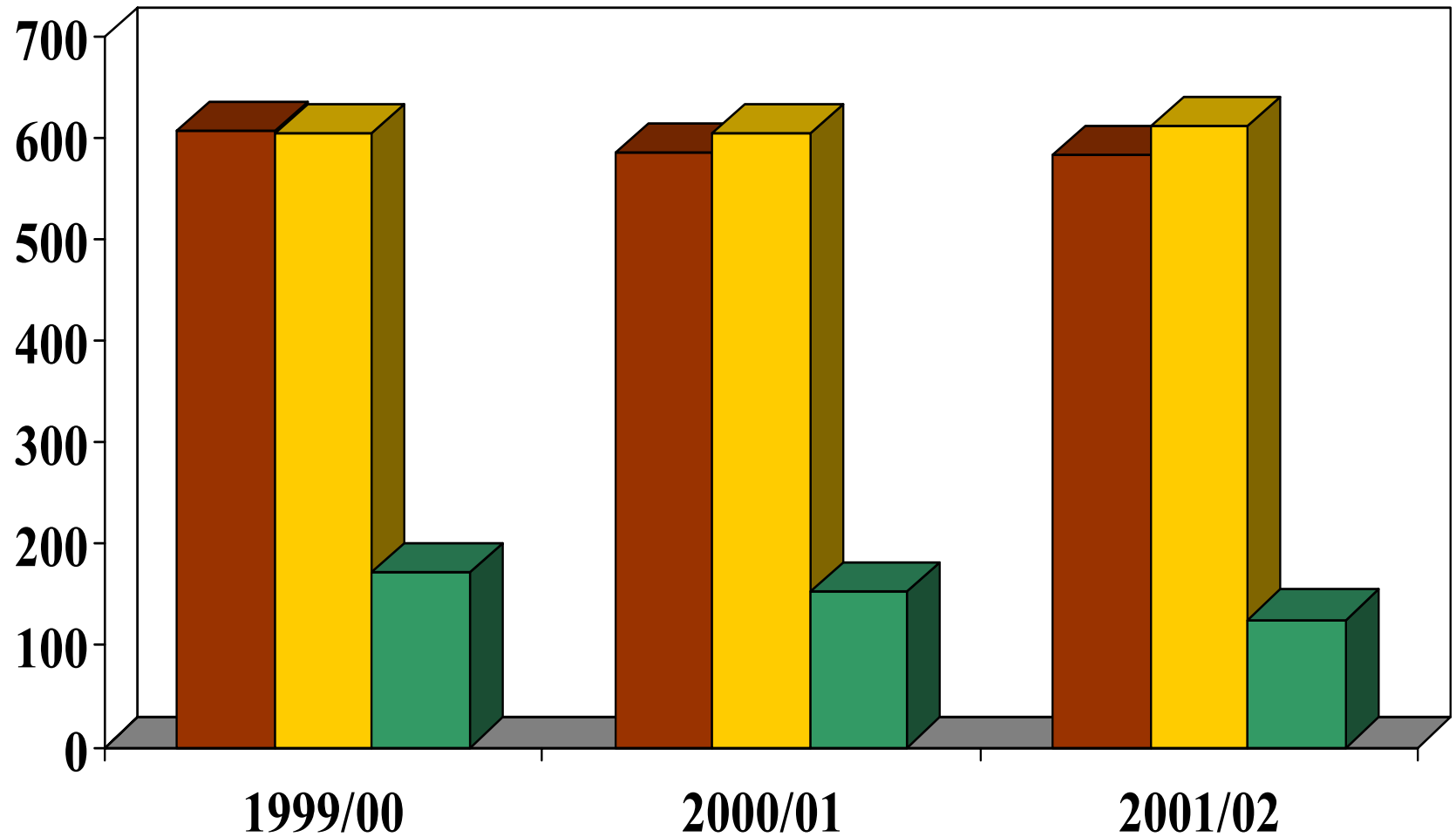
- Exporter stocks are proving a more accurate predictor of price than global stocks and while both are expected down this year, the fall in exporter stocks is forecast to be more pronounced. Nevertheless, 2001/02 ending stocks are forecast at just over 40 million tons compared to 29 million tons in 1995/96, when prices reached record high levels. In addition, market conditions have changed in the past few years suggesting that the global wheat market can tolerate lower levels of stocks.
- Current prospects indicate a rebound in production among the top five exporters (United States, Canada, Australia, EU, and Argentina) based on increased acreage and better growing conditions.

Corn

- Current Situation
 - Declining demand in Japan and South Korea
 - E. Europe supply rebounds
 - Brazil bursts onto global market
- Outlook
 - Some rebound in demand expected in South Korea with continued decrease in Japan
 - E. Europe and Brazil will continue as significant exporters
 - Argentina and China: the Wild Cards

Global Corn Supplies Tighten

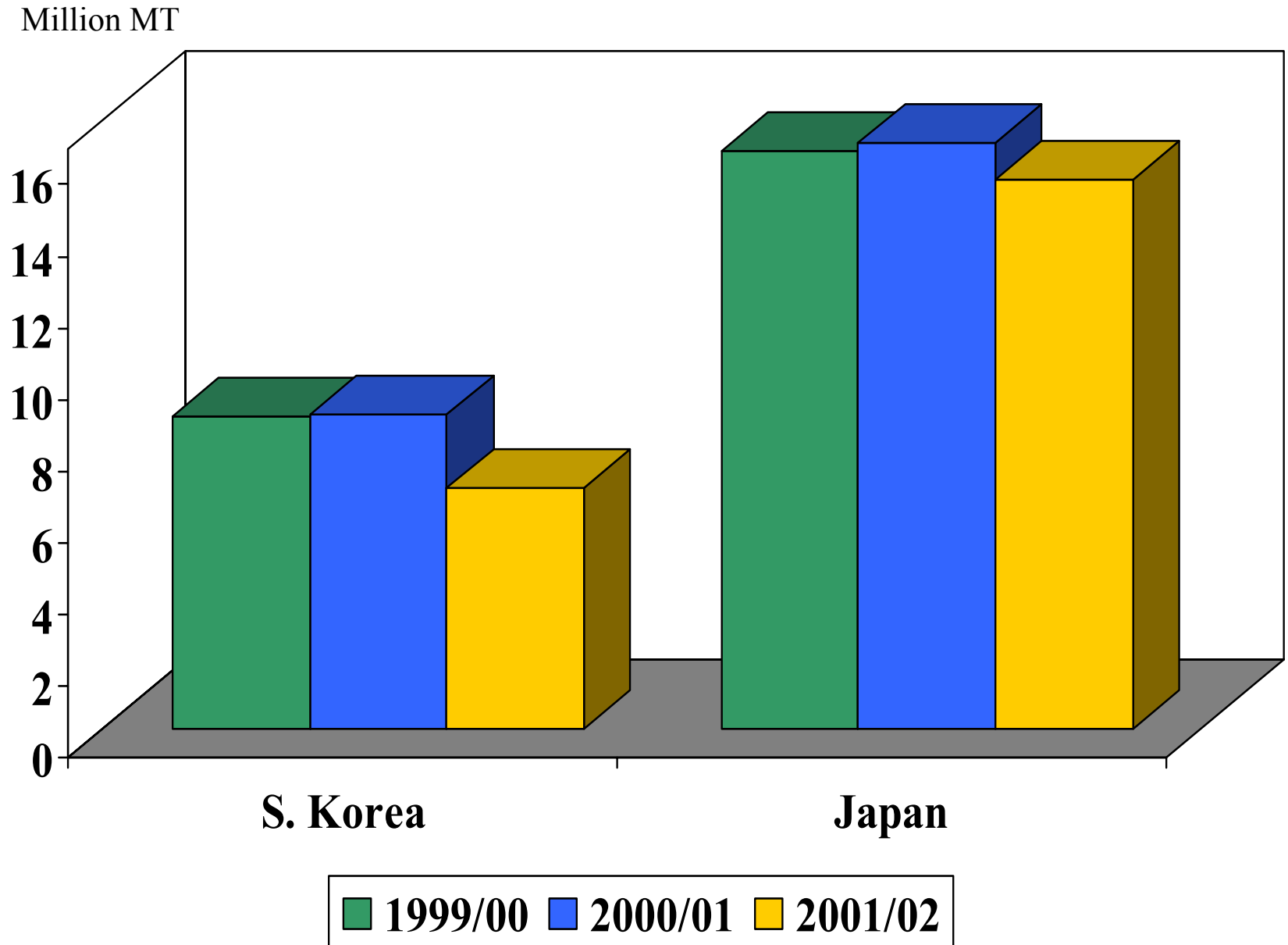
Million MT



Production **Consumption** **Ending Stocks**

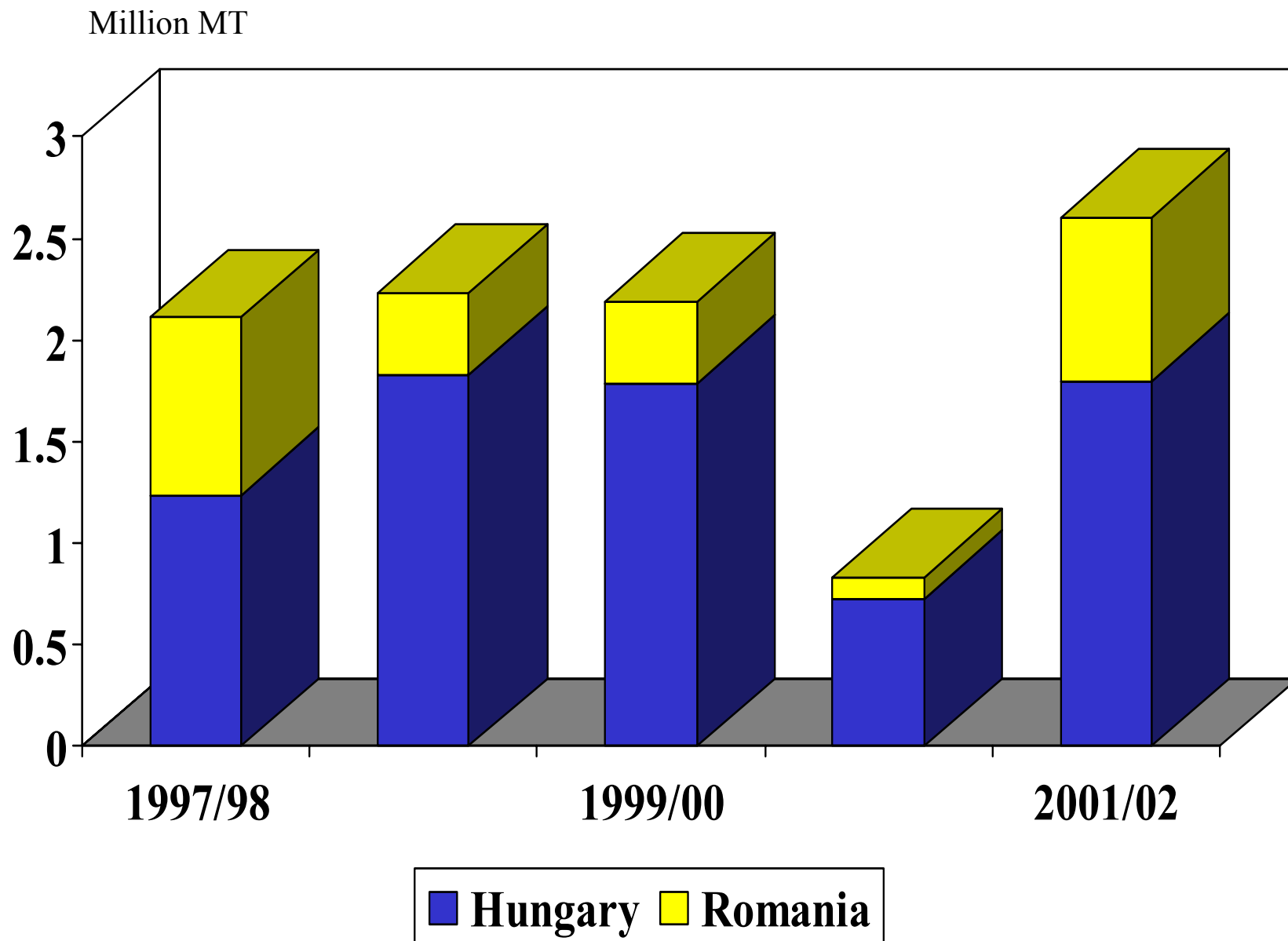
- Prices are stagnant despite rising consumption and falling production and stocks. 85% of the decline in global stocks is attributable to the reduction in Chinese corn stocks.

Demand Falls in Key Corn Import Markets



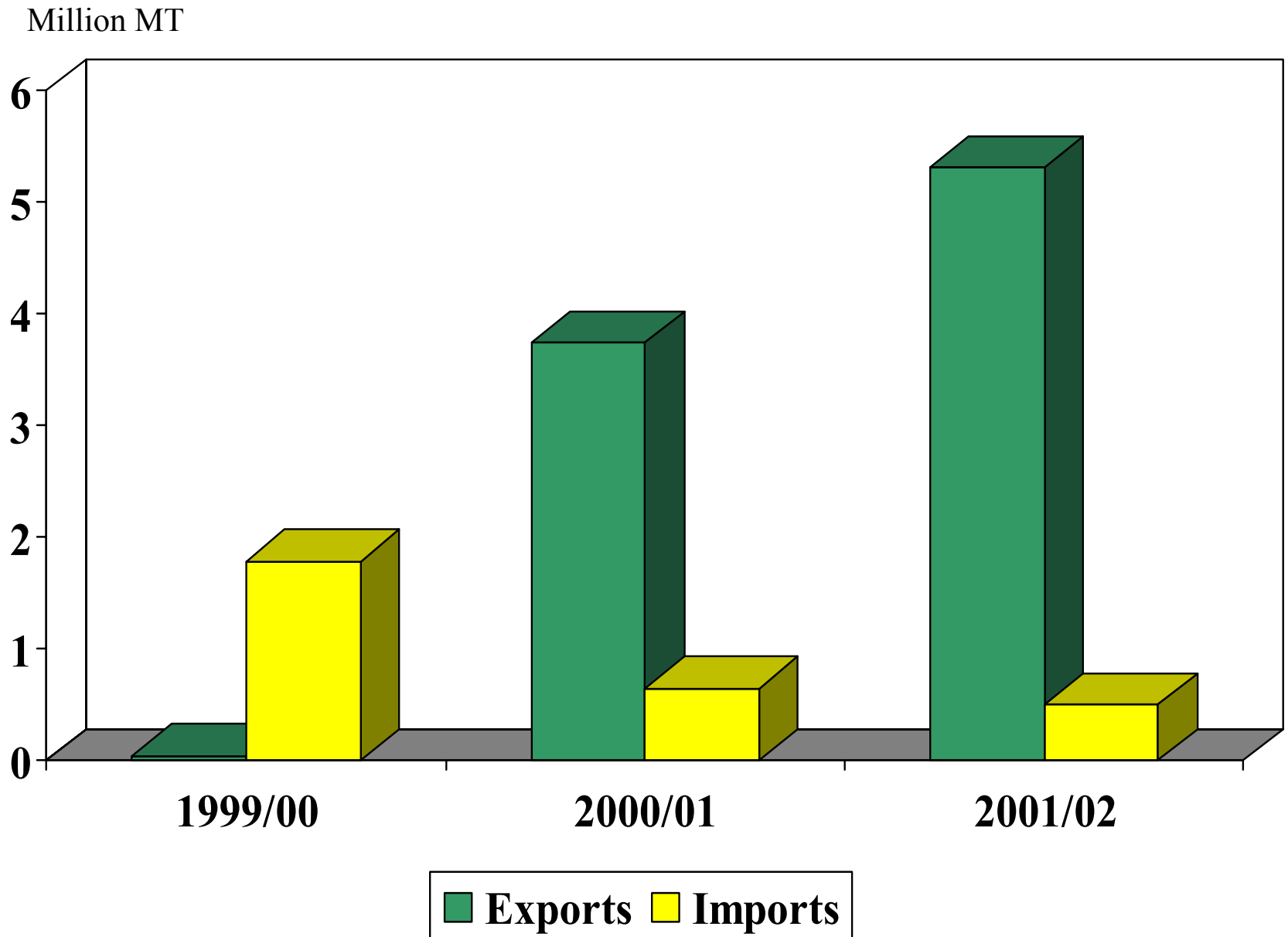
- South Korea's preference for cheap feed quality wheat from the Black Sea region is continuing to displace corn imports. As exports of wheat from Ukraine, Russia and India expand, imports of corn, mostly from the U.S., fall. In addition, the EU is expected to attempt a reduction of intervention rye stocks by exporting to non-EU markets, mainly South Korea, further displacing corn. Nevertheless, a slight rebound in corn use is anticipated.
- Rising meat imports and BSE concerns in Japan are expected to reduce needs for feed ingredients.

E. Europe Corn Exports Rebound



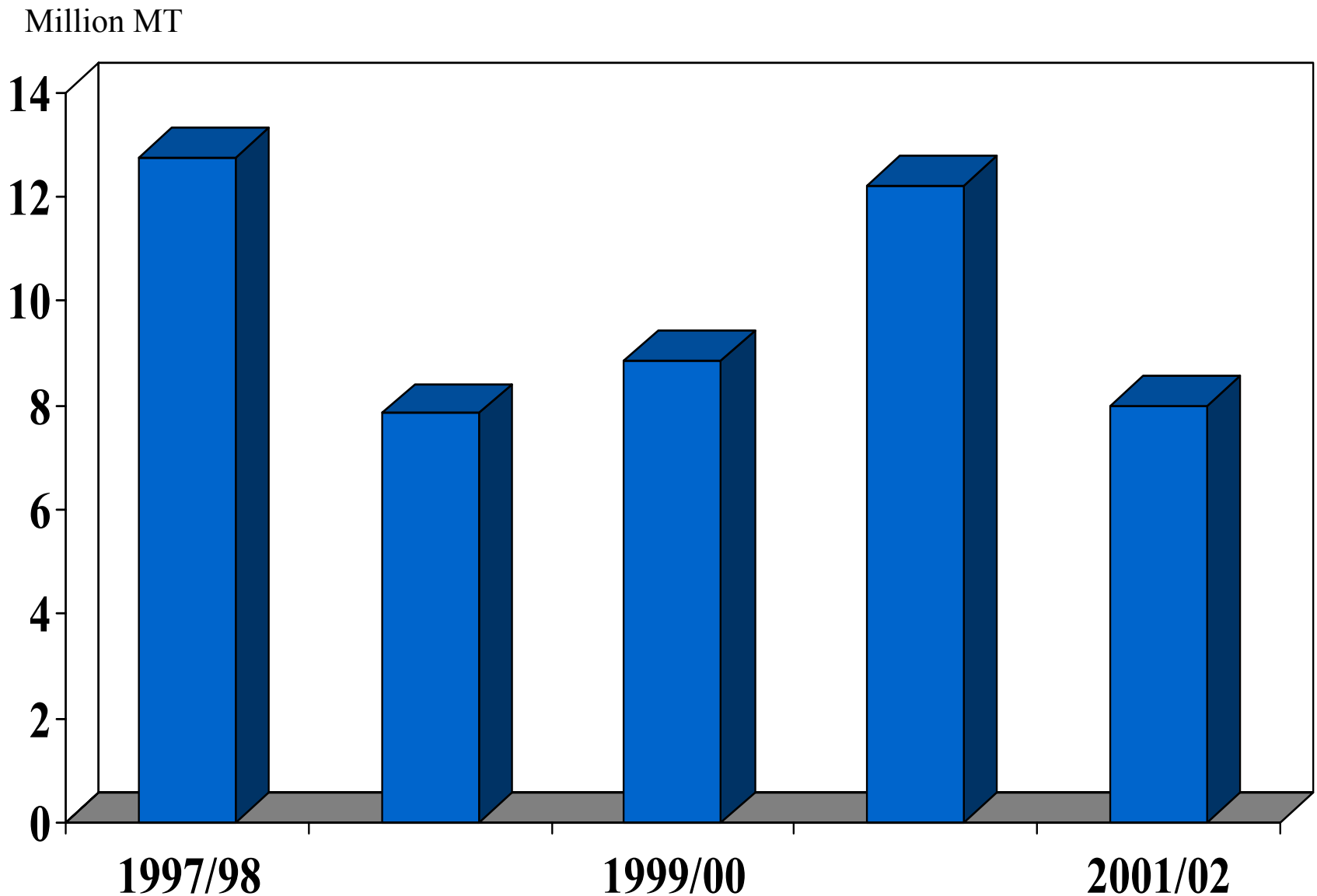
- Hungary and Romania have returned as major corn producers after experiencing a drought in 2000/01. With expanded acreage and increased yields, as well as improving infrastructure (ie: transportation) they are able to supply most demand within Eastern Europe. Hungary's other significant market is the EU, displacing Argentina, while Romania supplies corn to the Middle East, displacing the US and Argentina.

Brazil Will Remain as a Major Exporter



- In January 2001, Brazil emerged as a major corn exporter. Although production is forecast to fall 5.5 mmt from the previous record crop as a result of unfavorable weather and a switch to soybeans, Brazil's status as a "biotech-free" supplier will provide significant export opportunities. Brazil seems committed to corn exports, as a portion of their crop is produced specifically for international trade. However, the smaller crop, continued exports, and strong domestic feed demand will drive up corn prices. Total area will depend upon the returns of corn production relative to soybeans.

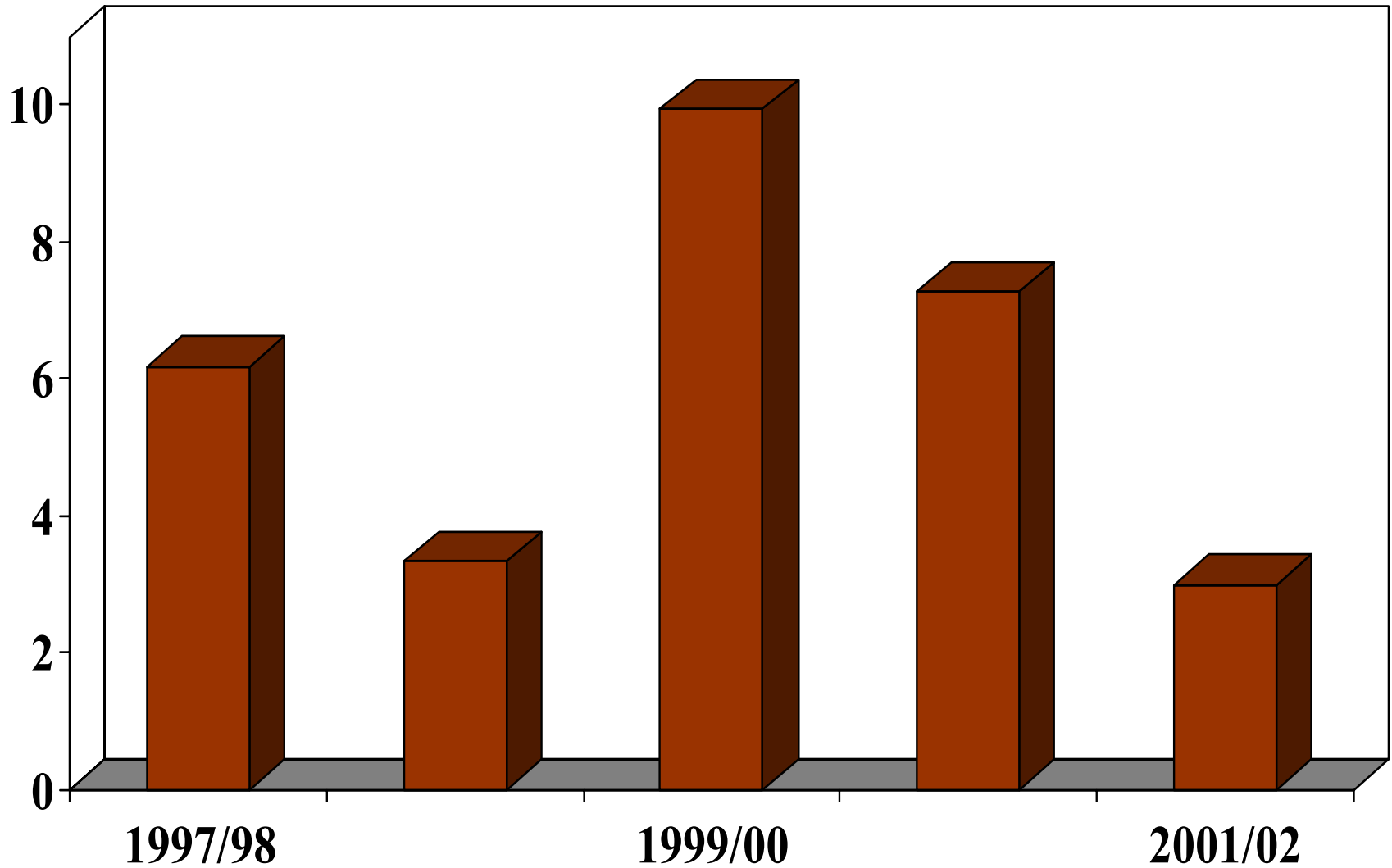
Argentine Corn Exports



- Argentina's unfavorable weather and a rotation to soybeans led to sharply lower corn planting than intended earlier and dropped production and exports 4 million tons. The current economic crisis creates a "wild card" condition for the coming year. The devalued peso will make exports more competitive and agronomic factors will promote increased corn area. However, relatively high production costs will likely limit the rebound in corn area.

China Corn Exports

Million MT



- Rebound in yields to trend levels could lead to expanding corn production and stocks.
- China's WTO entry has not diminished its traditional "wild card" status. The 2001/02 export forecast has been slashed to 3 mmt (with the end of export subsidies), from nearly 7.3 mmt in 2000/01, and imports are projected up at 1 mmt. The new bio-tech regulations will likely have a significant impact on whether or not we will witness any significant shift in trade in the near future.

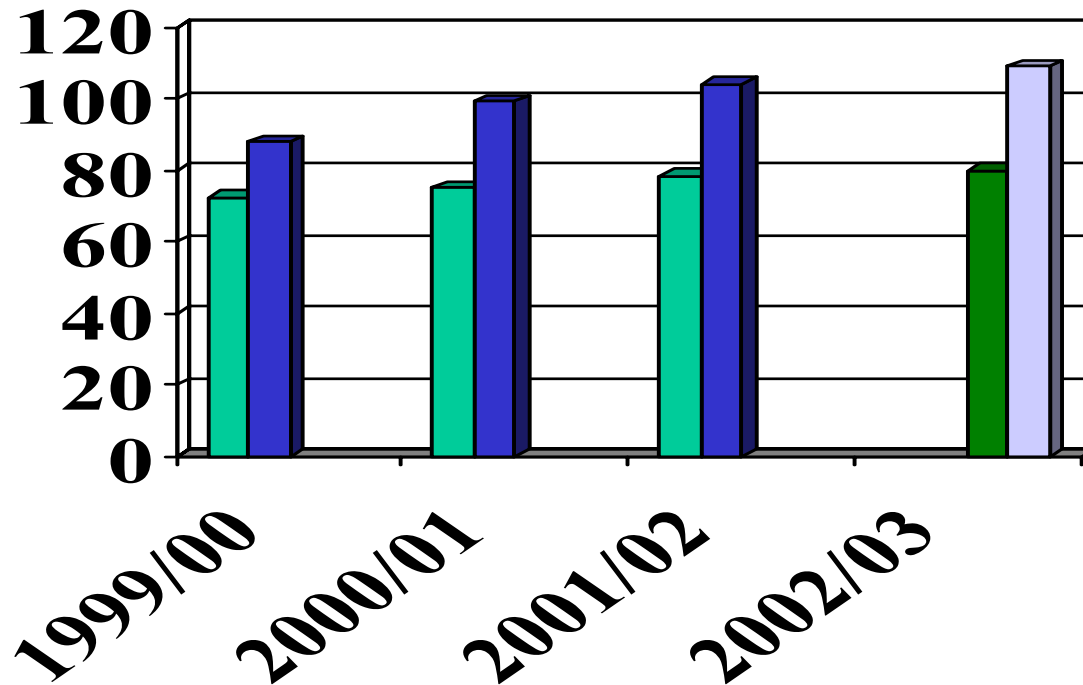
Soybeans & Products

- Current Situation
 - Record Supplies & Strong Demand
 - Biotechnology Debate Continues
 - Bans on Meat & Bone Meal Boost Demand for Soy
- Outlook
 - Will Demand Continue to Keep up with Supply?
 - China: The Wild Card

Record Soybean Supplies Enter Market

World Soybean Production

Million MT



■ U.S

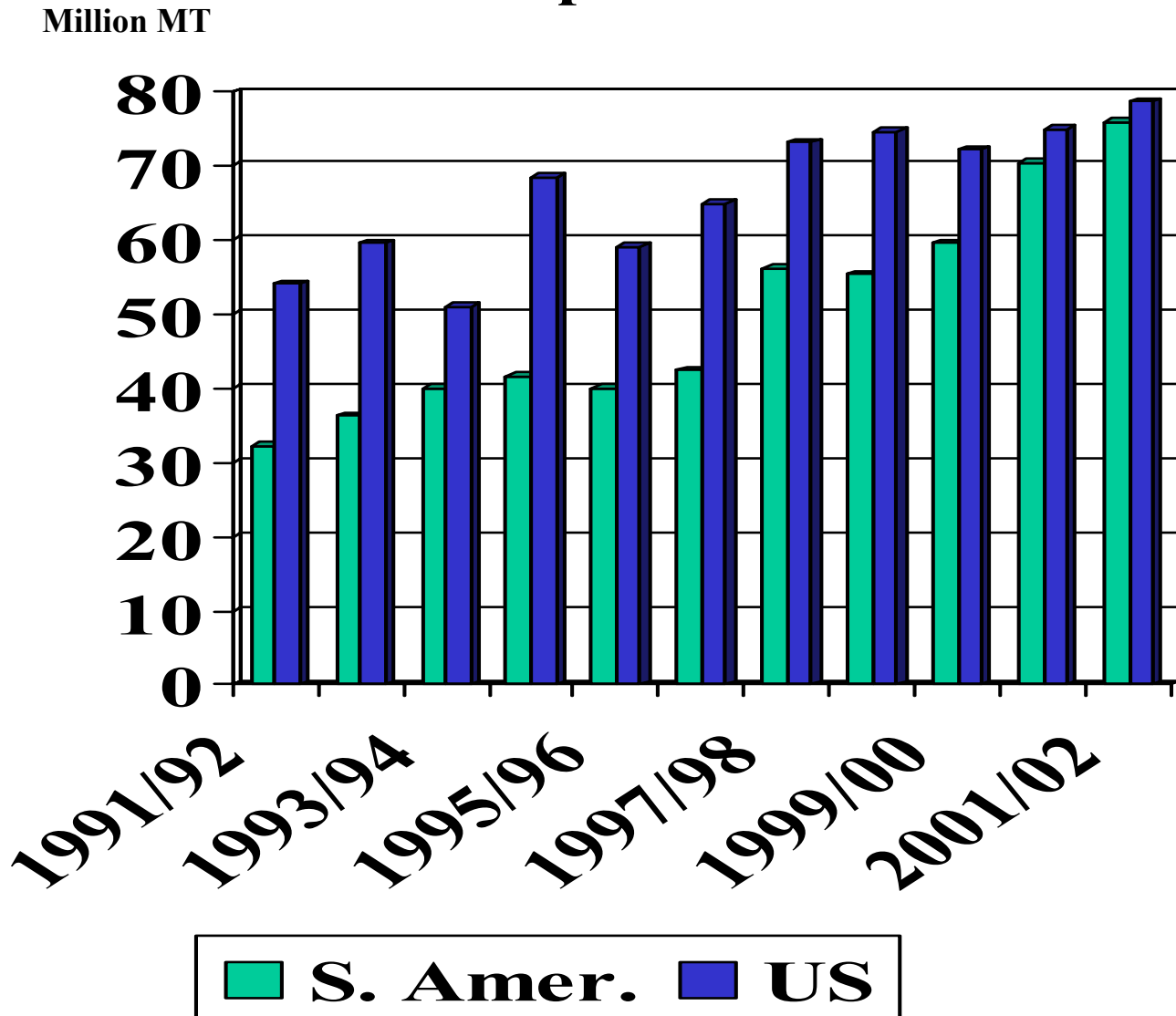
■ ROW

■ U.S. est.

■ ROW ext.

- U.S. soybean production is estimated at a record 78.7 million tons in the 2001/02 marketing year.
- South American production is also expected to reach record levels in 2001/02 at nearly 76 million tons, slightly below total U.S. production.
- Soybeans to account for nearly 57% of global oilseed production in 2001/02, an increase from previous years.
- Despite low prices, new soybean production records in both U.S. and South America are possible in 2002/03.

South American Soybean Production Nears U.S. Output

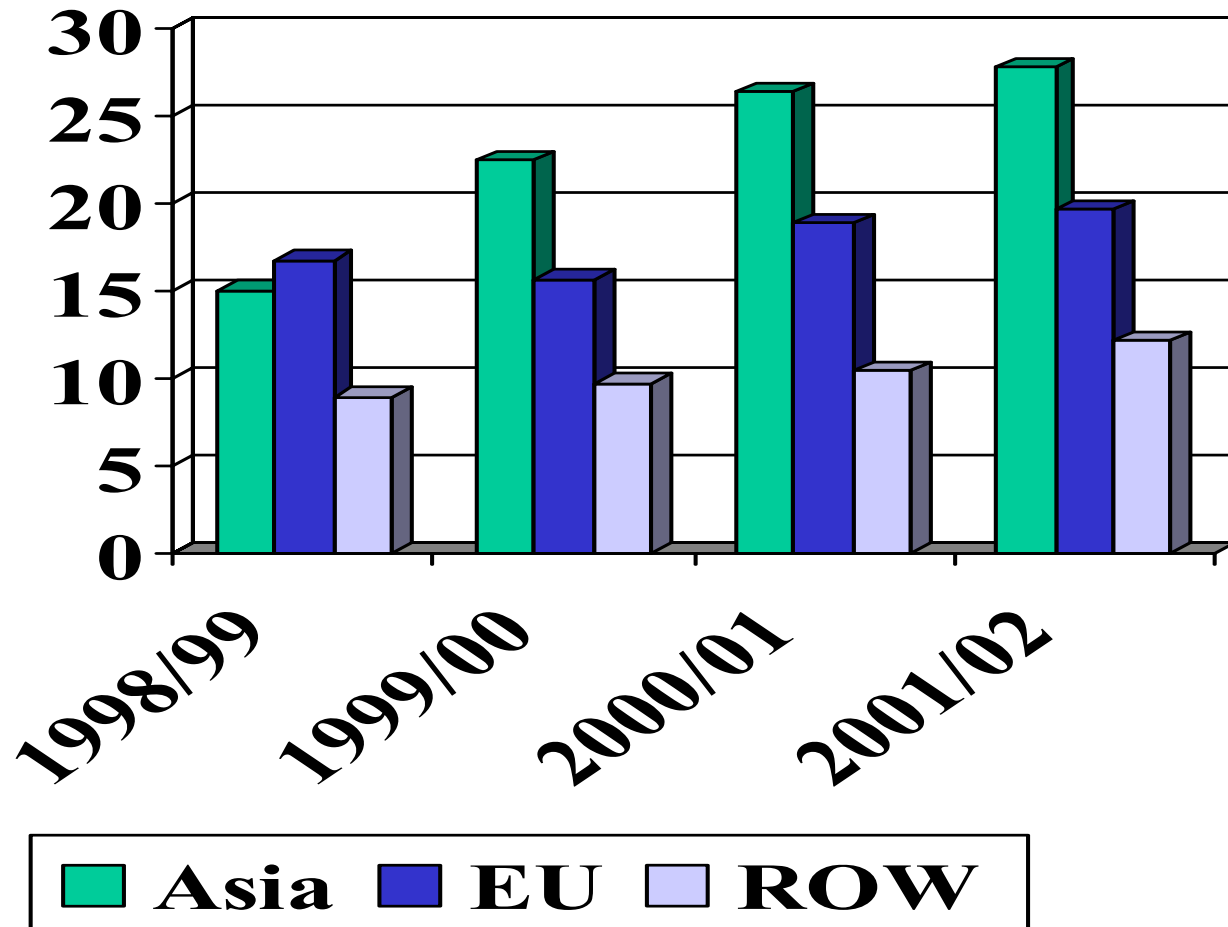


- Brazil continues to invest heavily in transportation, lowering the cost of exporting soybeans.
- Increased Brazilian output in 2001/02 was favored by the weak Real and good weather.
- Argentina soybean output in 2001/02 is not expected to be affected by the current financial crisis because planting decisions had already been made. However, lower currency values may favor soybeans due to lower imported input costs.
- Expansion of soybean production in Brazil will continue in 2002/03.
- Vitality of production in Argentina will depend on incentives and disincentives.

Demand Keeps Pace With Supply

Soybean Imports by Region

Million MT

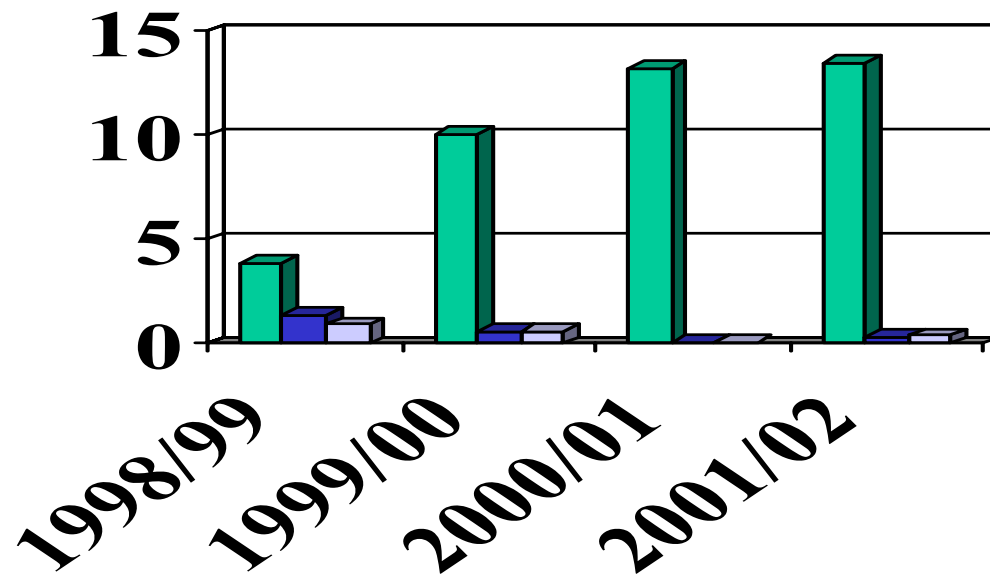


- Global trade in soybeans has increased faster than its products as importing countries, such as China, have expanded crushing capacity.
- South America for the first time is expected to capture over 50% market share of the soybean trade.
- Despite the increase in supply, strong demand is expected to keep 2001/02 ending stocks near previous year's level.
- Strong global demand growth, is expected to continue to keep pace with supply in 2002/03.

Chinese Soybean Demand

China's Soybean Complex Imports

Million MT

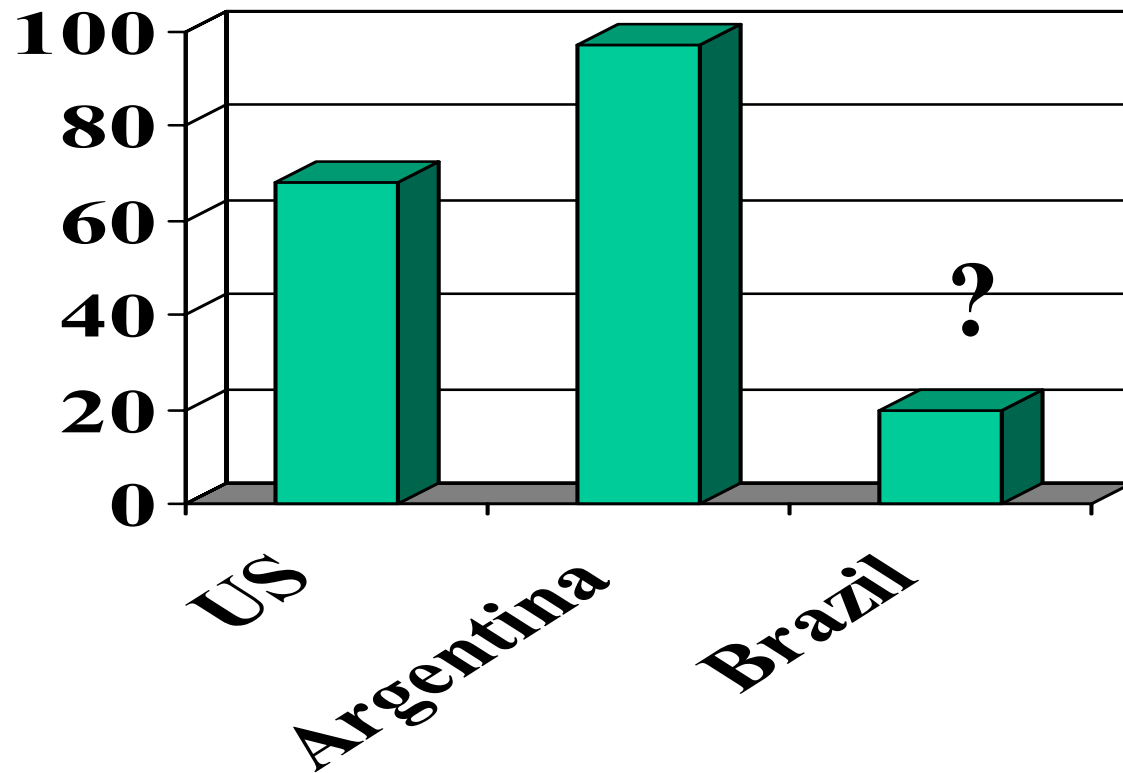


 **Soybeans**  **Meal**  **Oil**

- If the current confusion over China's biotechnology rules are cleared up quickly and favorably, China's soybean imports will remain strong in 2001/02.
- Limited production expansion in the near term means continued reliance on imports to satisfy demand.
- China's entry into the WTO is not seen shifting trade significantly from soybeans into products, despite increased soy oil TRQ's.
- The key question is: Will China allow open and fair access to its soybean market?

Biotech Soybeans and Trade

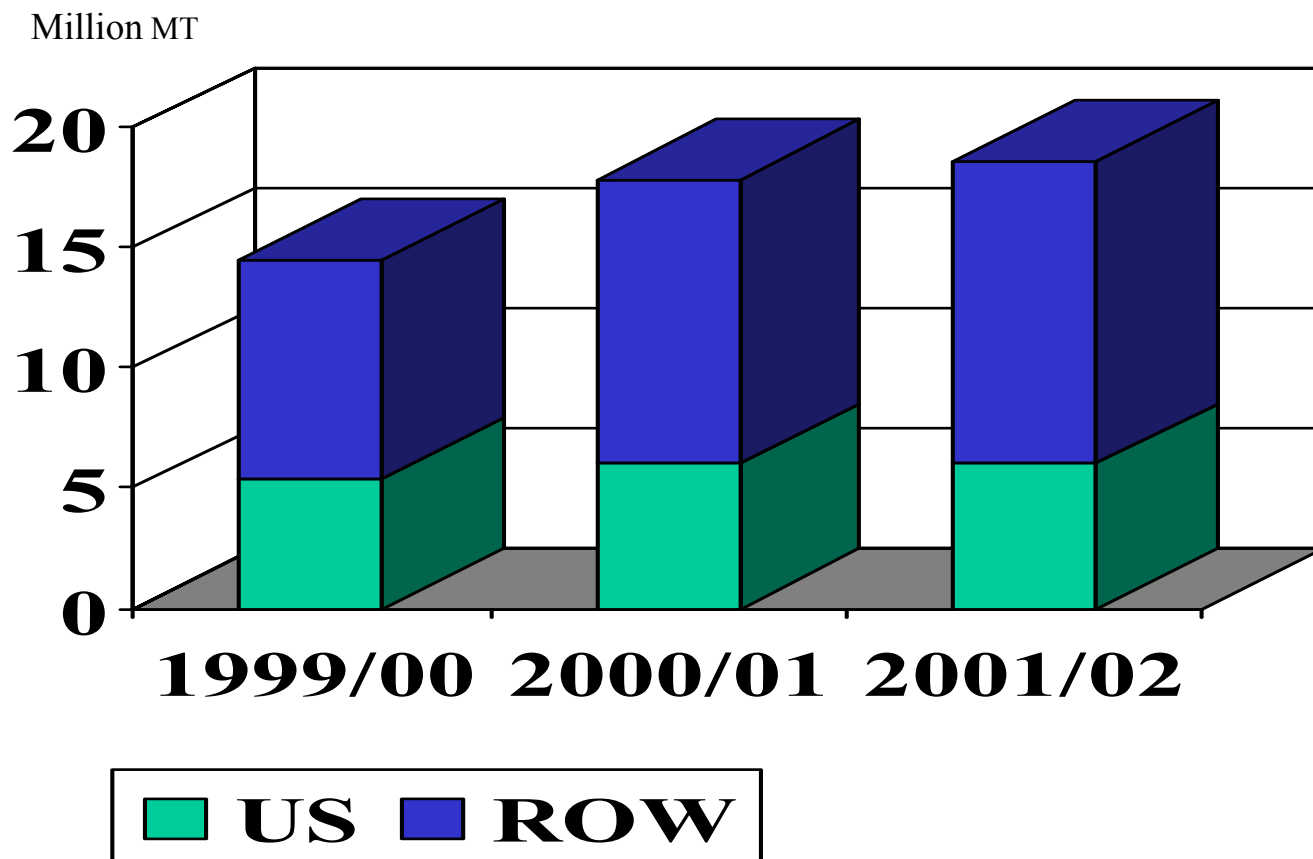
Percentage of Soybeans Planted that are of a Biotech Variety



- To date the development of segregated markets and price premiums for non-biotech varieties has been limited.
- The recent labeling requirements introduced in EU and Asia are about to take effect – will they affect consumer demand?
- Despite reports of large amounts of biotech seed planted, Brazil is the only major exporter to officially ban biotech soybeans. Will they continue the ban?

Meat and Bone Meal Bans

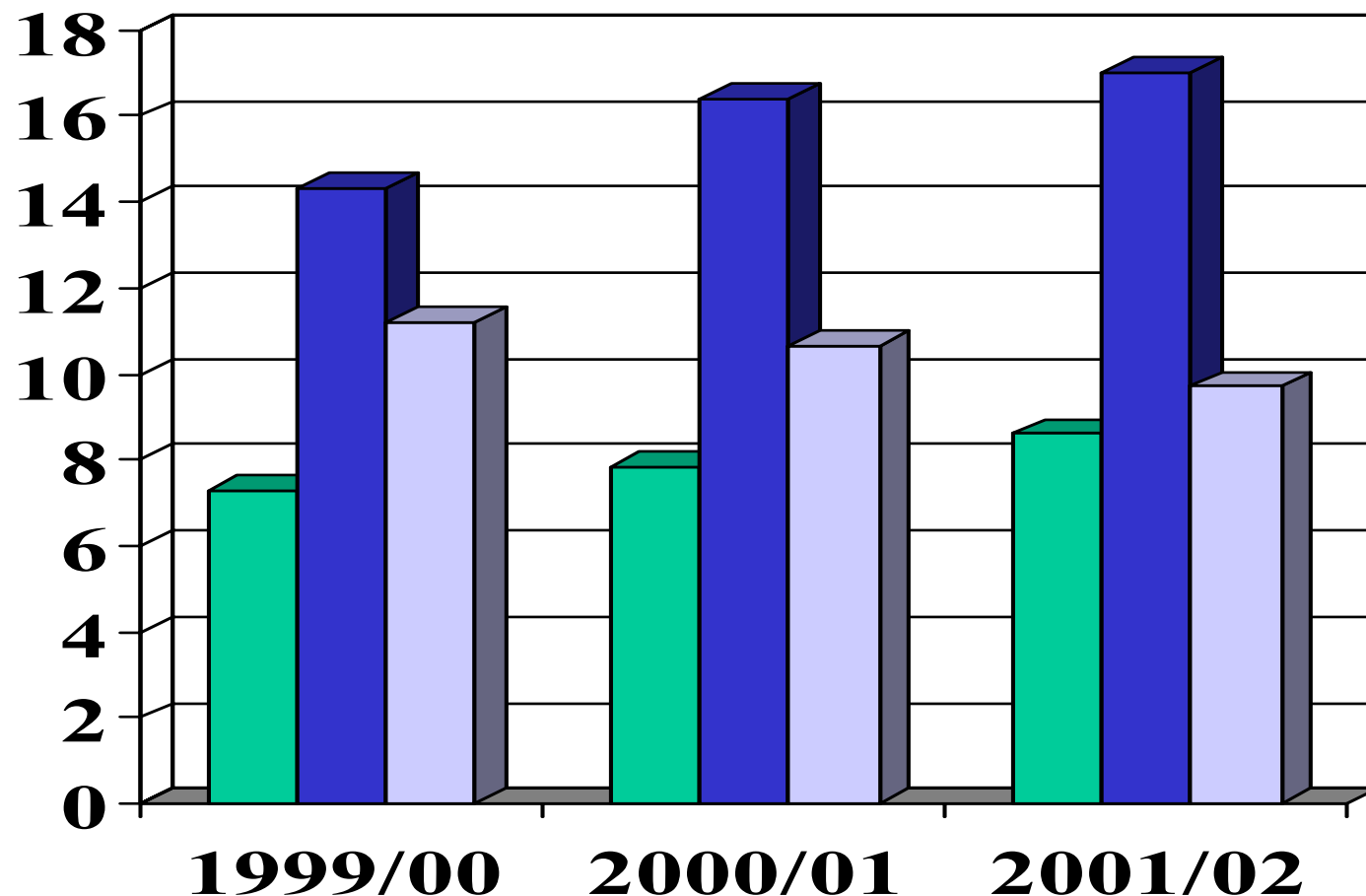
Soybean Exports to the EU



- The recent ban on meat and bone meal in both the EU and Japan has created opportunities for additional soybeans and meal imports.
- It is estimated that 2.5 million tons of meat and bone meal annually to EU must be replaced, or the equivalent of 2.9 million tons of soybean meal.
- How long will the bans be enforced will impact the future demand for soybeans and meal.

Soyoil Increases Share of World Vegetable Oil Supply & Trade

Million MT



 **Soyoil**  **Palm oil**  **Others**

- Vegetable oil prices for 2001/02 are expected to recover slightly as global stocks decline.
- Less sun oil and rape oil is on the market due to reduced 2001/02 seed production.
- Although overall levels are still increasing, the rate of increase of palm oil production has slowed from previous years, leading to reduced stocks in the 2001/02 marketing year.
- Increased production of soy, sun and rape oils are seen in 2002/03.

International Grains and Oilseeds Outlook for 2002

Conclusions:

- Low Prices Have Stimulated Consumption
- No Major Production Shortfalls In Sight
- Export Competition Will Remain Stiff
- Global Prices Are Expected to Remain Stagnant
- China and Argentina are Wild Cards